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STATE OF MARYLAND
CONSERVATION DEPARTMENT
SWEPSON EARLE, Commissioner

Suggested Plan For Marketing Maryland Crab Meat

CONSERVATION BULLETIN No. 5

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Suggested Plan For Marketing Maryland Crab Meat

By

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In Collaboration with

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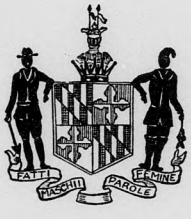

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FOREWORD

Less than ten years ago Maryland was confronted with a crab shortage. This was so serious that the Governors of Maryland and Virginia conferred at Annapolis with the two Conservation Commissioners and Government officials on ways and means of increasing the supply of crabs in the Chesapeake Bay.

At the legislative session of 1925, Maryland passed certain regulatory measures necessary to protect the crab in the upper Bay, and in 1926, Virginia passed an act to protect the egg-bearing female crab in her waters.

There was a marked increase in the supply of crabs almost immediately after the passage of this legislation, and from 29,000,000 pounds of crabs marketed in 1925, the production increased yearly until it had reached 68,000,000 pounds in 1931.

In 1927, the General Assembly of Maryland provided for a Seafood Auditor to work under the Conservation Department, gathering and compiling statistics in reference to the seafood industry of the State. During the past year, acting under the direction of the Conservation Commissioner, he has made a careful survey of the distribution of crab meat and soft crabs, and it was found that certain cities were getting an oversupply and others (of the nearby Middle West), were getting almost none.

From the data obtained by this survey, the Seafood Auditor, Mr. Milton C. Greer, Jr., has drawn up a plan, which, if adopted by the crab meat packers, will, it is believed, not only increase their sales but add to their profits. This plan which is printed for the information of the seafood packers of Maryland is intended as a suggestion, and may be changed to meet the varying requirements of the several seafood communities.

It is the Department's earnest desire to aid the industry in every way possible in marketing this valuable seafood crop, and at the same time give the people of our neighboring States fresh crabs and crab meat at a reasonable figure, but one that will return to the packers a fair profit for their efforts.

Swepson Earle.

Conservation Commissioner.

Baltimore, Md., April 10, 1933.

Marketing Maryland Crab Meat

A Suggested Plan to Stabilize and Rehabilitate the Crab Industry of Maryland—through a Reorganization of the Prevailing Methods of Market Distribution

INTRODUCTORY REMARKS

The taking of crabs from the waters of the Chesapeake Bay and its tributaries constitutes the second most important branch of Maryland's fishing industry, the production of crabs being exceeded in value only by the oyster catch.

The volume of Maryland's crab production has not always attained the large proportions that exists today. The conditions affecting the industry prior to 1927 were of such a character as to actually threaten its existence. In order to correct these conditions remedial measures were passed by the General Assemblies of Maryland and Virginia for the protection of the female crab bearing the egg sponge.

The season of 1928 was the first to show tangible results of the protective legislation referred to. Since that time the volume of the crab production has increased enormously. The unprecedented increase in production that has occurred in recent years has brought problems to the industry that challenge the best of minds for their proper solution.

The major problems of the industry have shifted in a space of only two or three years from an inadequate supply to an apparent overabundance. The change has occurred so rapidly that the industry has been unable to properly adjust itself to the new conditions. During the past year or two the situation has become so acute as to demoralize the whole industry.

In order to thoroughly familiarize the interests concerned with the scope and magnitude of the more important problems confronting the industry, this presentation is limited primarily to the marketing of crab meat.

Character and Significance of the Rapid Changes That Took Place in Maryland's Crab Industry from 1927 to 1932

The fundamental changes that occurred during this period consisted of an unprecedented increase in the number of crabs in the waters of the Chesapeake Bay and its tributaries, the marketing of which caused glutted markets and ridiculously low prices. The initial increase in production that followed the remedial legislative measures brought a harvest to the crabbers of the State. Retail prices for hard crabs averaged from $12.00 to $14.00 per barrel, and some were even sold for as high a price as $16.00 per barrel; whereas the retail prices for soft crabs averaged $1.75 per dozen, with some bringing as high as $4.00 per dozen. These prices did not continue. The subsequent increases in production eventually brought the price of crabs in some instances to a point even below the actual cost of production.

The phenomenal increase in the production of Maryland crabs during the period from 1928 to 1932 is scarcely appreciated. The quantity of crabs marketed in 1929 showed an increase of 25 per cent over that for 1928. The same percentage of increase was maintained between 1929 and 1930, and also between 1930 and 1931. A comparatively slight decrease was shown between 1931 and 1932. This decline in production was caused by the prevailing low prices, which had a tendency to discourage crabbing operations.

In both the years 1930 and 1931 the crab-meat packers found that they could not economically market all the crabs that were brought to them. The markets for live hard crabs were almost constantly overloaded, and it was often difficult to realize more than the transportation charges on those that were actually shipped. The markets for crab meat were likewise almost constantly overloaded.

The constant overloaded condition that existed in the large crab and crab-meat markets brought about many forms of waste. In Baltimore, for example, large quantities of crabs and crab meat which could not be sold had to be hauled to the city dump. Other quantities had to be sold at ridiculously low prices, often far below the actual cost of production. The demoralized condition of the markets forced the crab-meat packers to make drastic cuts in the prices paid to the crabbers,

and during many periods the packers had to limit the quantity that could be taken from the crabbers.

The causes of the conditions as outlined were given many and varied interpretations by the packers, crabbers, and other interests concerned. Many contended that the general recession of business activities was the principal cause, whereas the crab industry was actually one of the last to be affected by the depression. Others blamed the increase in the crab supply, price slashing, and unfair competition, and even the importation of the canned Japanese product, as the fundamental causes for the ills of the industry. Whatever were the causes of the depressed condition of the industry, it became evident in 1931 that something had to be done. Early in 1932 the Conservation Department, through its Seafood Auditor, started investigations to determine the fundamental causes for the unfavorable conditions that were affecting the crab industry, with a view to developing a plan whereby the unfavorable conditions could be corrected.

The Conservation Department's Economic Survey of the Crab-Meat Industry

Prior to the conduct of this Survey there were very few facts available concerning the problems and factors involved in the market distribution of crab products. As a consequence the State Seafood Auditor planned and made a comprehensive survey of the existing marketing conditions in the industry. It was believed that the data procured through the Survey would indicate the real causes for many of the unfavorable conditions found in the industry, and would facilitate action towards their correction. The study is based upon crabbing operations for the season of 1931.

Factors of General Importance Disclosed by the Survey of the Crab-Meat Industry

1. In 1931 there were 64 crab-meat packing plants operating in the tidewater sections of Maryland. Of this number 50 establishments also packed oysters, leaving only 14 establishments in the State that confined their efforts exclusively to the production of crab meat.

2. During the season of 1931 there were taken by the commercial fishermen 296,038 barrels of hard crabs from the waters of Maryland. Of this total, 218,180 barrels were handled by the houses that pack

crab meat. In addition to this quantity, 65,440 barrels of hard crabs were imported by the crab-meat packers from producing areas located outside of the State. The total volume of hard crabs handled by the packers of Maryland thus amounted to 283,620 barrels for the season of 1931.

Of the 283,620 barrels of hard crabs handled by Maryland packers, 8,315 barrels were sold as live crabs, 2,106 barrels as steamed crabs, and the balance of 273,199 barrels were cooked; the crab meat produced from the last-named amounting to 4,166-652 pounds. The figures show a yield of 15.14 pounds of cooked crab meat to 100 pounds of live hard crabs.

3. In addition to the crab meat that was picked from the steamed crabs a large quantity of unpicked claws were thrown away with the crab scrap. If these claws had been picked, approximately 300,000 pounds of additional crab meat would have been produced. These figures indicate to some extent the degree of waste that occurs in the industry.
4. Of the total amount of crab meat sold 1,458,060 pounds consisted of back fin and special lump, 2,032,211 pounds of regular lump, and 676,381 pounds of claw meat. For each 100 pounds of crab meat picked there was an average of 48.8 pounds of regular lump, 35 pounds of back fin and special lump, and 16.2 pounds of claw meat.
5. The bulk of the crab meat sold by the packers of Maryland went to four leading cities, namely, Baltimore, Washington, Philadelphia, and New York. The total volume of crab meat supplied to these cities by Maryland packers amounted to 2,992,242 pounds, or 71.8 per cent of the amount produced in the State. The volume of shipments from Maryland packers to the cities mentioned for the season 1931 is shown as follows:

Baltimore	1,573,509	pounds
Philadelphia	711,381	"
New York	431,314	"
Washington	276,038	"
Total	2,992,242	pounds

From the standpoint of the per capita consumption it is evident that the Baltimore market is badly overloaded in comparison with that for the other cities shown. (See exhibit No. 1.)

6. It was estimated by the crab-meat dealers and commission men of Baltimore that only about 5 per cent of their crab-meat receipts were reshipped. It is evident, therefore, that practically all of the crab meat shipped to Baltimore is consumed in that vicinity. Crab meat is a highly perishable commodity and lends itself to only comparatively few handlings. The results of the Survey showed that the distributive mechanism for the marketing of crab meat, contrary to the belief of most dealers, is comparatively simple in character, there being no intricate system of redistribution from the primary markets.

7. It was shown by the Survey that Baltimore City constitutes the largest crab-meat consuming market in the country. Practically every important crab-consuming center is also closer to Baltimore City than to any of the crab-producing districts. For these reasons the prices received for crab meat in the Baltimore market usually exert a controlling influence over the prices received in other consuming areas. It is of paramount importance that these factors should be taken into consideration by the crab-meat packers in their efforts to dispose of their surplus production in the Baltimore market.

8. While there are numerous factors of varying importance affecting the crab-meat industry, it was found by the Survey that the fundamental problems confronting the industry are, for the most part, basic in character. In any effort to correct the unfavorable conditions affecting Maryland's crab industry it is going to be necessary to develop the organizational features from the ground up, rather than to refine the operations of an industry which is already highly organized.

General Character of the Marketing Operations Involved in the Conduct of Maryland's Crab-Meat Industry

Each Maryland packer produces and packs his own crab-meat product. The packers located at Crisfield, with a few exceptions, are the only ones in Maryland to attempt any form of widespread market distribution. They usually advertise by direct mail, but do not employ "brands" or "trademarks" for the identification or protection of their crab products. The prices received for the products at Crisfield, as a rule, are higher than at most other points in the State. This is due to the greater selling costs involved in the conduct of their operations. These packers usually try to avoid the large and often glutted markets of Baltimore, Philadelphia, and New York. On occasions, however, they may use these markets for their excess pack, by having it sold on commission in these cities.

The packers situated in the other sections of the State generally ship their crab meat in wholesale quantities to Baltimore, Washington, Philadelphia, and New York. The Baltimore market is generally preferred, but some packers ship large quantities to Philadelphia. Inasmuch as a very small quantity of crab meat, for reasons outlined previously, is reshipped from the primary markets, all the crab meat sent to these cities, whether on consignment or through purchase, competes for the existing local trade.

This method of marketing works satisfactorily so long as crabs are scarce. Such was the case during the period prior to 1928. At such times the local demand in Baltimore and in other cities would absorb at fairly good prices the production of the packers located outside of Crisfield. The Crisfield packers, catering to their extensive trade throughout nearby States, it is understood, made a good profit on their operations. The major difficulty presenting itself prior to 1928 was the fact that the crab supply was getting smaller and smaller, and the very existence of the industry was thereby threatened.

The corrective legislation enacted in the General Assemblies of Maryland and Virginia brought about a greatly increased supply of crabs throughout the Chesapeake Bay area. During the years 1929, 1930, and 1931 the volume of crabs marketed annually was about 25% more than in the year previous. No new markets were developed, and the increased production caused an overloading of the existing markets, with almost disastrous results. The Survey of the marketing conditions of the crab industry for the year 1931 indicated that in spite of the greatly increased supply of crabs, no special effort was put forth by the packers to develop a larger and more widespread market for their product.

During the year 1931 the Crisfield packers continued to achieve a widespread distribution for their products, using Baltimore and Philadelphia as a market for their surplus pack. The packers located elsewhere in the State continue to ship their products to Washington, Baltimore, Philadelphia, and New York. The Baltimore market especially, became so overloaded at times that it was impossible to sell crab meat at reasonable prices. As a result the selling prices often fell far below the actual cost of production.

During the period of declining prices the producers tried to offset their vanishing profits by increasing their production but not by expanding their markets. This short-sighted policy resulted in the almost impossible situation that developed during the season of 1932.

These conditions brought about far-reaching effects; for example, a dealer in York, Pennsylvania, could perhaps purchase any desired quantity of crab meat in Baltimore at approximately 12 cents per pound, whereas the Crisfield packers

might have been asking a legitimate price of 30 cents per pound, the general quality of the product notwithstanding. In addition to the price differential the dealer in York would be required to pay a much smaller transportation price from Baltimore than from Crisfield.

It is apparent that the Crisfield packers, while attempting an intelligent and economic distribution for their products, were forced to compete with the output of other packers which was being sold at distressingly low prices in the larger markets.

A Plan to Stabilize and Improve the Conditions in Maryland's Crab-Meat Industry

The wasteful conditions that often occur in the marketing of Maryland crab meat will continue along with the present lines of distribution. In the long-run the Maryland packers must either change their marketing methods or be eventually forced out of business.

In order to facilitate the making of the necessary changes in the present methods of crab-meat distribution the Conservation Department of Maryland has prepared a tentative plan for submission to the crab-meat packers of the State for their critical consideration and comment.

Essential Features of the Plan to Assist the Crab-Meat Packers of the State in their Marketing Operations

The more essential elements involved in this plan to reorganize the present methods of market distribution of Maryland crab meat are indicated briefly as follows:

1. The results of the Crab-Marketing Survey showed clearly the two fundamental objectives that must be accomplished before the State's crabbing industry can be conducted on a profitable basis. These objectives are: (1) To stabilize conditions in the Baltimore market; and (2) To effect a wider market distribution for crab products.

2. In any attempt to develop a practical merchandising plan for the distribution of Maryland crab meat, incorporating the two essential elements indicated above, it will be necessary for the industry to adopt certain grades and standards for its products. In addition, it is highly imperative that all packers rigidly adhere to the adopted grades and standards. Unless the fullest cooperation possible is given in this connection by all the packers, the potential results of their cooperative efforts can be only partially realized.

3. At the present time Maryland crab meat may be packed under the same trade classifications by different establishments but lack a uniformity in quality. It should be emphasized that only by means of definite grades and standards can crab meat be successfully marketed in considerable quantities at fair prices over wide areas. It is proposed that the crab packers of the State, through their organization, make and rigidly enforce such trade regulations.

4. In order to further standardize the marketing of Maryland crab meat it is recommended that the Packers Association adopt some standard type of lithographed container bearing a distinctive trademark for the exclusive use of the member packers of the Association. Each member-packer could conveniently be given a number to be placed on the cans which he packs, so that the packer could be identified within the Association but not necessarily to the trade.

5. The successful execution of the ideas relating to the adoption of grades and standards, a uniform container, and a trademark would enable the packers of the State to distribute throughout their marketing area a product of uniform quality. Successful promotional and advertising efforts can be achieved only through an adequate realization of the various factors just indicated. It should be quite clear that unless the factors mentioned are placed into actual practice, there is really no definite product for the Packers Association to advertise to the public with a view towards creating a greater and more widespread demand.

6. While there are considerable possibilities for the building up of small package trade in crab meat produced by the dealers in Maryland, it is realized that outside of Crisfield there are comparatively few packers who are willing or financially able to equip themselves to handle this type of business. The increased office and plant expenses involved in the development of this class of trade would make it almost impossible for many dealers to develop independently this type of business.

7. In order to effect a wider distribution for the products of the dealers located outside of Crisfield, it is essential that some selling agency be developed. The logical localities from which the small package trade in crab meat could be most conveniently handled are Baltimore, Cambridge, and Crisfield. It is believed that this distribution can be developed by the packers and dealers in these localities through their present organizations.

8. It is the usual practice for commission dealers to buy the output of many crab-meat packers at what amounts to net commission prices, in addition to selling on commission other crab-meat receipts. In order to bring about some uniformity and to improve the present marketing conditions of the crab-meat industry, it is recommended that the commission men should cease to buy crab

meat outright, and to handle on a commission basis only, the crab-meat products of the Packers Association.

9. In this connection it is also recommended that the Packers Association should deal as a unit with the present large commission dealers, and arrange for the individual member-packers to do business only with those who will work harmoniously along with the Association and cooperate with it in the execution of its policies. It is also suggested that the crab-meat packers agree not to make any direct sales in Baltimore for redistribution among the retailers located in that city.

10. In order to achieve a larger and more widespread distribution of crab-meat it is essential that some form of promotional and publicity activity should be carried on. It is fully realized that the prosecution of such activities involves the expenditure of a certain amount of money in order to derive the maximum results from such efforts. There is presented below a convenient plan whereby the necessary funds for carrying on the publicity and promotional activities could be secured without material hardship to the interests concerned.

11. It is customary at the present time for the commission dealers to make a charge of 12½ per cent for disposing of the crab meat shipped to them on consignment. It is recommended that this rate of commission should be increased to 15%, with 10% going to the dealer, and 5% reverting to the Packers Association to be subsequently used for promotional and advertising efforts.

12. If an average selling price of 20 cents per pound can be attained for all the Maryland crab meat sold annually by the Baltimore Commission Dealers, the 5% reverting to the Association would amount to approximately $15,000 for the season. This fund, of course, would be used in the promotion and advertising of the Association's brand of crab meat, particularly in areas where it is now little known. It should be emphasized that every packer who is a member of the Association would thereby assist in advertising crab meat to the public. This advertising would necessarily be a cooperative undertaking, in which all the packers would benefit.

13. Exhibit 1, presented at the close of this report, shows clearly that a wider market distribution of crab products is absolutely necessarry for a stabilization and improvement of conditions in Maryland's crab-meat industry. It is believed that the suggestions herein presented are most practicable for establishing the necessary machinery for developing a wider distribution for Maryland's crab-meat production.

14. A brief summary of certain of the essential factors presented in the foregoing discussion is shown as follows: It is obvious that to obtain a wider market distribution for Maryland crab meat it is necessary to advertise. To make the proposed advertising efforts

successful it is essential that the product should be definitely standardized and graded, and packed in a standard type of container bearing a distinctive trademark. To defray the cost of the promotional and advertising efforts the plan proposes the apportionment of the expenses involved fairly among the various dealers.

Detailed Treatment of the Proposed Plan for a Larger, and More Widespread and Profitable Distribution of Maryland Crab Meat

In order to present this plan before the crabbing interests of the State it is necessary that they should have some general idea as to the set-up and activities of some of the various factors indicated in the foregoing discussions. To accomplish this there is presented below a brief description of some of the various functions of the association.

1. *The Crab Packers Associations.*—The present Associations of Seafood Dealers should serve as the basis for the organization of an association comprising all of the crab-meat packers in the State. Aside from certain general considerations, the name of the Association and many of the varied and detailed functions are left to future determination by the interests concerned. Suffice to say, the Association should be organized under the laws of Maryland as a non-profit corporation. It should have permanent headquarters and a set of directors and officers, to be elected by the member packers.

2. *Relation between the individual packers and the Association.*—The individual packers operating throughout the State of Maryland would be eligible to membership under the rules and regulations to be later adopted by the Association. For the maintaining of specified standards in the packing of crab meat, the individual packers should enter into some form of contractual agreement with the Association. The exact details of such contractual relationships are left for later determination by the individual packers who are to make up the Association.

3. It is planned to develop a new consumer demand for crab meat throughout the territory of Western Pennsylvania and Ohio. It is also planned to make it possible for the Commission Dealers in Baltimore to participate in supplying the newly created demand in the Middle West. In engaging in such marketing activities the Association should enter into some form of contractual relationship with the dealers in question. The most important element of this agreement would be perhaps some form of a restraining clause, prohibiting the dealer from purchasing his crab meat (within specified limitations) from other agents or individuals than the member association itself. This, of course, is only one

of the elements involved in the arranging of a working agreement between the Association and the commission men or distributors.

4. *Grades and standards.*—One of the primary functions of the Association would be to develop a uniform classification of grades and standards for the marketing of crab meat. The accomplishment of this objective is fundamental to all efforts of the Association in the development of a larger and more widespread consumption of Maryland crab meat. Through its contractual relationship with the individual packers, and with the possible cooperation of the State Health Department, it is believed that the adopted grades and standards could be successfully placed in operation. Like certain other phases of this plan, the determination of the proper grades and standards is left for later consideration.

5. *Standard container and trademark.*—The adoption of an attractive lithographed standard container, bearing a distinctive trademark, is going to be of great importance in introducing crab meat into areas where it is now scarcely known. The advantages involved in the adoption of these practices can be readily visualized, and further elaboration is unnecessary.

6. *Cooperative purchasing.*—If the conditions within the crab industry can be fairly well standardized by the Association, it would be possible for the Association to render to its members a very valuable service in the form of cooperative buying, that is, the more essential products, such as lacquered cans, et cetera, could be purchased in large quantities, and make possible substantial savings for each member-packer.

7. *Advertising.*—As stated in a previous section of this report, a charge of 5% of the selling price of the crab meat sold on commission in Baltimore should revert to the Packers Association to be used as a fund for furthering the interests of the crab-meat industry. This fund would be spent under the direction of the Packers Association, subject to the approval and recommendation of the member packers. It is felt that this cooperative form of advertising would eliminate the duplication necessarily involved in individual efforts to acquaint the public with crab products.

8. It may appear that to decrease the income of the commission merchants by 2½% and to decrease the net return to the crab-meat packer by that same amount, would work a hardship on both interests. In actual practice, however, it is believed that the opposite condition will prevail. The increased rate of commission will have a tendency to decrease the volume of crab meat shipped to Baltimore. A considerable decrease in the amount of crab meat being shipped on a consignment basis to Baltimore would tend to relieve the glutted situation which oftens occurs in that city; and inasmuch as the prices received for crab meat in Baltimore have a controlling influence over the prices received in other primary markets, it is evident that a decrease in the supply in Baltimore

would tend to stabilize prices on a higher level in other marketing areas. It is expected that this whole situation would result in a larger volume of commissions to the dealers and larger net returns to the packers.

9. It is believed that the widespread advertising efforts suggested would develop new markets for the crab meat that is now being shipped in excess quantities to Baltimore. This would have a tendency to bring the Baltimore prices for crab meat more in line with those charged by the direct shippers located in the vicinity of Crisfield. It is expected that the net returns to the commission dealers and shippers would be considerably increased, and in addition to offsetting the fee charged for advertising, return a fair margin of profit on all crab products, especially through the stabilizing effect of the creation of a new consumer demand for crab products in areas heretofore untouched.

The Actual Operation of the Proposed Plan for Effecting a Larger and More Widespread Distribution of Maryland Crab Meat

In order to familiarize the interests concerned with the more essential features involved in the operation of this plan there are presented below brief discussions indicating the major elements of the plan in actual operation.

The Packers Association. The present associations of seafood dealers are to constitute the basis for organizing the Packers Association which has been frequently referred to in this report. The Association will be organized as a non-profit corporation under the Laws of Maryland. It would establish and maintain regular headquarters, from which the business of the Association will be transacted, and it should also provide for the election of officers and directors, who would carry out the policies of the Association. The Association would have full control of the advertising funds allotted to it in the manner heretofore described, and it should arrange to execute a sound program of promotional and publicity activities with the assistance of a legitimate advertising concern.

Information covering the details of the Association's advertising activities will be disseminated to the individual member-packers at stated intervals in the form of special or weekly reports. This information will enable each packer, large or small, to avail himself of the full benefits of the Association's publicity activities.

In order to avoid overloading the primary markets with crab meat and the resulting low prices, it is suggested that each member-packer regularly inform the Association as to the quantity of crab meat shipped into the primary markets, namely, Baltimore, Philadelphia, Washington, and New York, so that the Association, in case of an impending glut, can advise the packers to reduce their shipments by any necessary volume.

As a matter of general interest, in this connection, the reader is referred to a pamphlet issued by the U. S. Bureau of Fisheries, entitled *"Market for Fresh Oysters in Fourteen Cities of the United States."* This is Fishery Circular No. 3, issued June, 1931, and shows the percentage of oysters consumed on the successive days of the week. It is believed that the consumption of crabs and other seafoods would correspond in a general way with that of oysters.

If the crab-meat packers could balance their shipments to the primary markets so as to correspond with the normal consumption, the supply on hand would always be fresh, and this would have a tendency to eliminate the carrying over of older crab meat by the dealers, which must necessarily be disposed of at low prices.

As a means of affording the maximum amount of market information so as to guide the member-packer in his merchandising activities, it is suggested that each packer inform the Association as to the actual quantity of crab meat packed each day, and also the markets to which it was shipped. The intelligent utilization of such information would protect the packers against overloaded market conditions and at the same time stabilize prices on a profitable basis. The successful execution of such a program would enable the Association to eliminate many of the glutted conditions which have occurred in the primary markets during the past few years.

Suggested Publicity Program for the Packers Association

There has already been prepared a tentative program of promotional and publicity activities whereby a large portion of the consuming public would be acquainted with the distinctive merits of Maryland crab meat in areas where it is now hardly known. The successful execution of this program

should enable the packers of the State to substantially increase their volume of sales in the areas in which their product is to be advertised.

It should be pointed out in this connection that the area selected for these publicity efforts is confined to the territory in the general locality of Western Pennsylvania and Ohio. This area was selected on account of its relatively high population density and also because of the fact that very little crab meat is now being consumed in these areas, and it therefore presents a large market for cultivation, with a minimum of interference with the present activities of the packers.

How the Activities of the Packers Association Will Benefit the Individual Packers in Their Marketing Operations

The fundamental purpose of the Packers Association, as stated before, it to secure a uniform quality of the pack; to create a larger and more widespread consumer demand for crab products; and to assist the packers in their marketing operations. Beyond these activities the Association is to assume no functions. While each Maryland packer will benefit by the publicity and promotional activities of the Association, the making of business contacts and the securing of orders is left entirely to the initiative of the individual packer. It should also be mentioned that it is both possible and desirable for the commission dealers located in Baltimore City to actively engage in supplying part of this new business. In fact, the commission dealers in Baltimore City should be encouraged to obtain a portion of this business, in order to more economically dispose of the products which the packers located in the tidewater sections of Maryland ship to them. The packers located in Crisfield should greatly benefit by the publicity activities of the Association, since they are already familiar with the business practices involved in catering to an extensive trade. It should also prove to be possible for all of the distributing packers to utilize, in satisfying this newly developed trade, a portion of the pack which was formerly shipped by other packers of the State to Baltimore for disposition.

The larger packers of the State will benefit particularly because they already have a small distribution in the territory which is proposed to be intensively developed, and in supply-

ing the demand created there it will merely mean an enlargement and extension of their present operations there.

The smaller packers of the State will benefit both directly and indirectly under this proposed plan. If they are desirous of participating in the increased demand which is to be created in the distant markets, they will be encouraged to do so. In case they should not be in a position to engage in inter-state business, they should be able to sell part of their output to the larger packers who have the distribution facilities. The smaller packer will be able to dispose of his production in the Batimore and other large markets in the usual manner, but at profitable prices, since the increased demand for crab products in other areas will absorb much of the crab meat which formerly was sent to the Baltimore market. The large packers will show a greater willingness to purchase the crab meat packed by the small packers, because the standard and grade of crab meat will be uniform throughout the Association.

How the Activities of the Packers Association Will Benefit the Commission Dealers in the Conduct of their Operations

As stated above, this proposed plan involves a contractual relationship between the Association and the individual dealers, binding the dealers, within specified limitations, in their handling of the output of member-packers of the Association. This should prove to be a distinct advantage to the dealers, as they will be assured of a uniform high-quality pack and at the same time will be able to benefit by the promotional and publicity efforts of the Association and secure a larger and more widespread distribution for crab products at profitable prices.

Furthermore, it is proposed that the commission charged on products redistributed from Baltimore should be based upon the current price in Baltimore. If the dealer finds it possible to dispose of crab meat in distant markets at a price above the current Baltimore quotations, this differential in price will belong to the dealer as a trading profit and will not be passed back to the individual packer shipping the product to him on commission. The dealers will find it possible, and will be encouraged, to participate in the out-of-state trade which the Packers Association will endeavor to develop. The commission dealers in Baltimore, through the activities of the

Association, will doubtless receive larger net commissions than heretofore has been the case, since the proposed changes in market distribution will doubtlessly stabilize the Baltimore prices on a higher level.

No Direct Outlay Involved in the Publicity and Advertising Efforts of the Association

In order to thoroughly familiarize the interests concerned as to the exact manner in which the proposed promotional and advertising efforts of the Association are to be taken care of, the following facts are presented:

Exhibit No. 2 shows the schedule of net prices and commissions based on 100 pounds of crab meat sold under the new plan, as contrasted with that sold under the present system.

As stated above, the burden of financing an extensive promotional and publicity campaign would be equitably proportioned among the various packers, and based upon the production shipped on commission. For example, let it be assumed that the prevailing price of crab meat in Baltimore is 14 cents per pound, the net realization to the packer (after deducting 12½% commission) for 100 pounds would amount to $12.25. (Freight or express charges have been eliminated from consideration). Should the efforts of the Association raise the price of crab meat by only ½ cent on the Baltimore market—to 14½ cents per pound—and a commission of 15% be charged (2½% above the present rate), the net realization to the packer would be $12.32 per 100 pounds, or 7 cents more than under the prevailing system. In addition (under the new system) at 14½ cents per pound there would be an advertising fund of 73 cents per 100 pounds sold at that price for furthering the interests of the crab-meat packers.

It should be emphasized that while the individual packer indirectly pays for the publicity which he is to receive, it should also be pointed out that any increase in price would not necessarily occur were it not for the activities of the Association. Therefore the amount of money spent for advertising purposes is in reality a fund which the packers would not otherwise have had, and therefore does not represent any additional burden upon them.

Miscellaneous Considerations

In a brief report of this character there are naturally many factors of genuine interest to certain packers which have necessarily been omitted. In order to give recognition to some of these a few general considerations are presented.

At the present time there are a few crab-meat packers in the State who use a brand or trade name of their own and have devoted considerable effort in cultivating a demand for their product. These packers may rightly feel that to substitute a uniform Association can, for the one they are now using, would impair the prestige which they have already built up. It would be possible under this proposed plan for these packers to continue to utilize the brand which they have already established; but, in addition, it is suggested that they utilize the accepted seal of the Association, which would identify them as members of the Association, subscribing to the high standards of quality set by that body.

Serious objections have arisen at various times to the practice of the packers using a branded or trade-marked can for their products. These objections came almost exclusively from the dealers who redistribute the products in the primary markets. The dealers located in these markets are interested in procuring products as cheaply as possible, and consequently play the crab meat produced in one area against the crab meat produced in another area. By purchasing crab meat at the lowest possible price and selling it at the best price the market will bring, results in increased profits to the dealers. This practice can only be adhered to when the products are shipped to the markets in an unbranded fashion, and that from one area can be readily substituted for that of another area to suit the individual requirements of the dealer. By having definite trade-marked products of a uniform quality the detrimental trade practice just referred to will be for the most part eliminated in the crab business of this State. Practically all of the former objections advanced against branded crab-meat products would be eliminated by the fact that practically the entire production of the State would be packed in uniform containers, bearing a distinctive trade-mark, and would not disclose the identity of the individual packers.

It should be recalled that the branded products formerly utilized in the trade bore the name of the individual packers, and consequently consumers buying this product from the dealers would often communicate directly with the packer for his purchases rather than utilize the existing trade channels. It should be pointed out that the cans used by the Association would not bear the name of the individual packers, and consequently, this former trade difficulty would be entirely eliminated.

Conclusion

The general functions and activities of the Association as outlined in this representation have been purposely set forth in a very general manner. It is felt that the packers can determine for themselves just how far they desire to go in engaging in such forms of cooperative effort. It is believed that sufficient material has been presented to demonstrate to the packers the possibilities, potentialities, problems, and advantages involved in a cooperative effort of this character.

In conclusion it should be pointed out that the Packers Association is to be organized by the packers and operated by them for their sole benefit. It will be impossible for the Association as organized to be operated for the benefit of any particular packer or group of packers. Its sole function is to operate for the mutual benefit of all the packers comprising the industry.

The activities of the Conservation Department and other cooperating interests, including the U. S. Bureau of Fisheries and the Maryland Development Bureau of The Baltimore Association of Commerce, in this connection, are designed purely to assist the industry to achieve a larger and more widespread and profitable distribution of its products. The Conservation Department will have no control, directly or indirectly, over the organization and operation of the Packers Association.

EXHIBIT No. 1.

Crab Meat Sales, 1931—State of Maryland.

Locality Where Shipped or Sold		Pounds Sold	Population	Consumption Per Person Per Year
Baltimore				
On commission	893,220			
Sold outright	680,289	1,573,509	804,000	1.95 pounds
Philadelphia				
On commission	251,223			"
Sold outright	460,158	711,381	1,950,000	.36
New York City				
On commission	164,041			
Sold outright	267,273	431,314	6,930,000	.06 "
Washington, D. C.				
On commission	3,850			
Sold outright	272,188	276,038	486,000	.56 "
Total on commission above	1,312,334			
Total outright above	1,679,908			
Total sales to above cities		2,992,242 pounds		
Other sales:				
Maryland and Delaware except Baltimore City	173,694			
Retail sales in Maryland by packers	72,300	245,994	1,065,000	.23 pounds
State of Pennsylvania except Philadelphia		334,483	7,680,000	.04 "
State of New York except New York City		106,645	5,658,000	.018 "
State of Ohio		38,314	6,647,000	.005 "
State of New Jersey		310,415	4,041,000	.007 "
State of Illinois		48,633	7,631,000	.006 "
State of Michigan		10,941	4,842,000	.002 "
All other states		78,985	---------	.0005 "
Total pounds of crab meat sold by Maryland packers in 1931		4,166,652 pounds		

EXHIBIT No. 2.

Schedule of Net Prices and Commissions Based on 100 Lbs. of Crab Meat Sold Under New Plan and Present System.

Selling Price Per Pound		15% Deduction—New Plan			Actual Present Conditions	
		5% Advertising	10% Commission	Net Returns	12½% Commission	Net Returns
.10	—100 lbs. sold	.50	1.00	8.50	1.25	8.75
.10½	" "	.53	1.05	8.92	1.31	9.19
.11	" "	.55	1.10	9.35	1.38	9.62
.11½	" "	.58	1.15	9.77	1.44	10.06
.12	" "	.60	1.20	10.20	1.50	10.50
.12½	" "	.63	1.25	10.62	1.56	10.94
.13	" "	.65	1.30	11.05	1.63	11.37
.13½	" "	.68	1.35	11.47	1.69	11.81
.14	" "	.70	1.40	11.90	1.75	12.25
.14½	" "	.73	1.45	12.32	1.81	12.69
.15	" "	.75	1.50	12.75	1.88	13.12
.15½	" "	.78	1.55	13.17	1.94	13.56
.16	" "	.80	1.60	13.60	2.00	14.00
.16½	" "	.83	1.65	14.02	2.06	14.44
.17	" "	.85	1.70	14.45	2.13	14.87
.17½	" "	.88	1.75	14.87	2.19	15.31
.18	" "	.90	1.80	15.30	2.25	15.75
.18½	" "	.93	1.85	15.72	2.31	16.19
.19	" "	.95	1.90	16.15	2.38	16.62
.19½	" "	.98	1.95	16.57	2.44	17.06
.20	" "	1.00	2.00	17.00	2.50	17.50
.20½	" "	1.03	2.05	17.42	2.56	17.94
.21	" "	1.05	2.10	17.85	2.63	18.37
.21½	" "	1.08	2.15	18.27	2.69	18.81
.22	" "	1.10	2.20	18.70	2.75	19.25
.22½	" "	1.13	2.25	19.12	2.81	19.69
.23	" "	1.15	2.30	19.55	2.88	20.12
.23½	" "	1.18	2.35	19.97	2.94	20.56
.24	" "	1.20	2.40	20.40	3.00	21.00
.24½	" "	1.23	2.45	20.82	3.06	21.44
.25	" "	1.25	2.50	21.25	3.13	21.87
.25½	" "	1.28	2.55	21.67	3.19	22.31
.26	" "	1.30	2.60	22.10	3.25	22.75
.26½	" "	1.33	2.65	22.52	3.31	23.19
.27	" "	1.35	2.70	22.95	3.38	23.62
.27½	" "	1.38	2.75	23.37	3.44	24.06
.28	" "	1.40	2.80	23.80	3.50	24.50
.28½	" "	1.43	2.85	24.22	3.56	24.94
.29	" "	1.45	2.90	24.65	3.63	25.37
.29½	" "	1.48	2.95	25.07	3.69	25.81
.30	" "	1.50	3.00	25.50	3.75	26.25
.30½	" "	1.53	3.05	25.92	3.81	26.69
.31	" "	1.55	3.10	26.35	3.88	27.12
.31½	" "	1.58	3.15	26.77	3.94	27.56
.32	" "	1.60	3.20	27.20	4.00	28.00
.32½	" "	1.63	3.25	27.62	4.06	28.44